

## Message Text

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46

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 IO-14 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 INT-08 DODE-00 PM-07 H-03 L-03 NSC-10

PA-04 PRS-01 SS-20 USIA-15 ACDA-19 SCEM-02 SCI-06

DRC-01 /251 W

----- 024418

R 031312Z NOV 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8012

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

AMEMBASSY TOKYO

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DEPARTMENT PASS TREASURY AND COMMERCE

E.O. 11652: GDS

TAGS: EFIN, KU, PFOR

SUBJECT: ARAB FINANCE AS A WEAPON: THE MOOD IN KUWAIT

REF: KUWAIT 3824 (NOTAL)

SUMMARY: DESPITE CONTINUED AGITATION FROM CERTAIN  
QUARTERS AVAILABLE EVIDENCE SUGGESTS KUWAITIS IN GENERAL  
REFRAINING FROM USING FINANCIAL WEAPON AGAINST US IN  
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CONTEXT MIDEAST WAR DEVELOPMENTS. DOLLAR CURRENTLY

STRONG HERE AND SOME MOVEMENT INTO DOLLARS HAS BEEN NOTED. PRIME MINISTER IN DELIVERING AMIRI SPEECH BEFORE NATIONAL ASSEMBLY REAFFIRMED TRADITIONAL GOK INVESTMENT POLICY WHICH CAN BE DESCRIBED AS PRUDENT. BELIEVE GOK WILL PREFER RELY ON OTHER MEANS USING ECONOMIC LEVERAGE AGAINST US THAN BY MASSIVE WITHDRAWALS FROM US BANKS AND/OR CONCERTED EFFORT UNDERMINE DOLLAR AND SPECIFIC ACTIONS WILL DEPEND LARGELY ON MORE GENERAL POLITICAL AND ECONOMIC FACTORS. END SUMMARY.

1. ALTHOUGH ELEMENTS OF PRESS AND OTHERS CONTINUE URGE WIDESPREAD USE OF ARAB FINANCIAL RESOURCES AS WEAPON AGAINST US, AVAILABLE EVIDENCE SUGGESTS KUWAITIS IN GENERAL CONTINUE REFRAIN FROM IMPLEMENTING SUCH MEASURES AS MASSIVE MOVEMENT OF FUNDS OUT OF DOLLARS AND INTO OTHER CURRENCIES.

2. INTERESTING TO NOTE THAT THROUGHOUT WAR PERIOD AND PARTICULARLY IN LAST WEEK DOLLAR HAS REMAINED STABLE HERE OR HAS ACTUALLY INCREASED IN VALUE IN MARKET. LARGEST LOCAL MONEY CHANGERS SEEM MORE INTERESTED THAN PREVIOUSLY IN BUYING DOLLARS AND LOCAL BANKERS REPORT THAT SOME MOVEMENT INTO RPT INTO DOLLARS HAS BEEN NOTICED SINCE 'ID AL-FITR HOLIDAY LAST WEEK. THIS SUGGESTS LOCAL MERCHANT AND BANKING COMMUNITY AT LEAST DOES NOT RPT NOT ANTICIPATE ANY LOCALLY INSPIRED ACTION AGAINST DOLLAR.

3. RECENT AMIRI SPEECH OPENING FALL SESSION OF NATIONAL ASSEMBLY CAN BE READ AS CONFIRMING TRADITIONAL GOK FINANCIAL POLICY. CROWN PRINCE/PRIME MINISTER IN DELIVERING SPEECH SAID GOK BASES ITS INVESTMENT POLICY ON GRADUALLY DEVELOPING INVESTMENT WITH CONCERN FOR GOOD RETURN CONSISTENT WITH SAFETY, ON REINFORCING KUWAITI ECONOMY, ON DISTRIBUTION AND DIVERSIFICATION OF INVESTMENTS, AND ON ACTING IN SUCH A WAY TO ENHANCE AND IMPROVE KUWAIT AND ARAB FINANCIAL INSTRUMENTS AND INSTITUTIONS. THESE REMARKS INDICATE GOK CONTINUES PREFER GENERALLY STABLE INTERNATIONAL MONETARY CONDITIONS AND THAT IT SEES INVESTMENT POLICY DIRECTED  
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MAINLY AT STRENGTHENING OVERALL KUWAITI CONOMY WHICH OTHERWISE ALMOST TOTALLY DEPENTDENT ON OIL PRODUCTION.

4. WE AWARE OF APPARENTLY ACCURATE REPORTS THAT CERTAIN KUWAITI OFFICIALS TOOK LEAD IN URGING OTHER ARAB STATES TO JOIN KUWAIT IN USING "FINANCIAL" WEAPON, BUT ADMITTEDLY SKETCHY EVIDENCE AVAILABLE TO US LEADS US STICK BY OPINION STATED REFTEL THAT GOK WILL PREFER

AVOID TAKING SUCH STEPS. INSTEAD WE BELIEVE LIKELY  
GOK ECONOMIC STRATEGY AGAINST US IN NEAR TERM WILL BE  
(1) TO MAXIMIZE INCOME FROM EACH BARREL OF OIL SOLD;  
(2) TO LIMIT OIL PRODUCTION AND SELECTIVELY EMBARGO  
EXPORTS ALONG LINES OAPEC AGREEMENT.  
(3) AWARD MAJOR CONTRACTS TO NON-AMERICAN COMPANIES, AND  
(4) LIMIT NEW INVESTMENT IN US.

EXACT MANIFESTATION THESE POLICY OPTIONS WILL DEPEND  
IN PART, ON RESULT CURRENT DIPLOMACY FOLLOWING  
MIDEAST FIGHTING AND EVALUATION BY GOK IN SPECIFIC  
CIRCUMSTANCES WHETHER ECONOMIC BENEFITS DOING BUSINESS  
WITH US FIRMS OR INVESTING IN US OUTWEIGH POLITICAL  
PROBLEMS SUCH AQOFNUONS#WOULD ENTAIL.

STOLTZFUS

NOTE BY OC/T: PARA 4 SUBPARA(4) #AS RECEIVED, WILL BE SERVICED  
UPON REQUEST

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, FOREIGN INVESTMENT, BANKS, INTEREST RATES  
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**Copy:** SINGLE  
**Draft Date:** 03 NOV 1973  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** elyme  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Enclosure:** n/a  
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**Errors:** N/A  
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**Reference:** KUWAIT 3824 (NOTAL)  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** elyme  
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**Review Exemptions:** n/a  
**Review History:** RELEASED <14-Nov-2001 by willialc>; APPROVED <12-Dec-2001 by elyme>  
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**Secure:** OPEN  
**Status:** NATIVE  
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**TAGS:** EFIN, PFOR, KU  
**To:** STATE  
**Type:** TE  
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